

# **TYPES OF ENTERPRISES & BANK PROCEDURE AND FORMALITIES**

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# **TYPES OF ENTERPRISES**

- 1 Proprietorship
- 2 Partnership
- 3 Limited Liability Partnerships
- 4 Private limited company
- 5 Public limited company
- 6 One Person Company
- 7 Self help group
- 8 Hindu Undivided Family

# HOW YOU MAKE CHOICES OF YOURS BUSINESS ENTITY

- Ability to raise capital/Requirement of capitals/Source of Funding.
- Separation of ownership or management
- Limited liabilities protection
- Transfer of ownership
- Ease of formation, formalities and its maintenance.
- Tax consideration
- FDI investment
- Size of venture
- Governance and operations
- Impact investment and social responsibility
- Risk taking capability
- Capacity and capability an individual



# **TYPES OF ENTERPRISES**

## **1. Proprietorship**

It is a form of business organization which is owned, controlled and managed by only one person.

## **2. Partnership**

A partnership is an association of tow or more persons to carry on as co owners a business and to share it profit or loss.

## **3. Limited Liability Partnerships**

A company is an association of persons who contribute money in the shape of shares and the company gets a legal entity and enjoy a permanent existence.



**4. Private limited company**

**5. Public limited company**

**6. One Person Company**

**7. Self help group**

Self Help Group is a small economically homogeneous affinity group of 10-20 rural poor people voluntarily formed to share and mutually agreed to contribute to a common fund to be lend to its members for meeting their productive and emergent credit needs as per group decision.

- Quantum of loan 50000 per person
- Only one person from one family can become member SHG.

Steps	Proprietorship	Partnership	LLP	Private Limited Company	One Person Company
<b>Registration</b>	It can be registered or unregistered	It can be registered or unregistered	Registered with the Ministry of Corporate Affairs under the Limited Liability Partnership Act, 2008.	Registered with the Ministry of Corporate Affairs under the Companies Act, 2013.	Registered with the Ministry of Corporate Affairs under the Companies Act, 2013.
<b>Name of the Entity</b>	<b>No approvals required</b>	<b>No approvals required</b>	<b>Name must be approved by the Registrar of Company.</b> Only names that are not identical / similar to an existing company or LLP name and names that are not offensive or illegal would be allowed . It must end with end with the words “Limited Liability Partnership” or “LLP”.	<b>Name must be approved by the Registrar of Company.</b> Only names that are not identical / similar to an existing company or LLP name and names that are not offensive or illegal would be allowed . It must end with end with the words Private Limited Company	<b>Name must be approved by the Registrar of Company.</b> Only names that are not identical / similar to an existing company or LLP name and names that are not offensive or illegal would be allowed . It must end with end with the words “OPC” or “One Person Company”.



Steps	Proprietorship	Partnership	LLP	Private Limited Company	One Person Company
<b>Legal Status of Entity</b>	<b>It is not recognized as a separate legal entity</b> and the promoter is personally liable for the liabilities of the Proprietorship	<b>It is not recognized as a separate legal entity</b> and the promoter is personally liable for the liabilities of the Partnership	<b>LLP is a separate legal entity</b> registered under the LLP Act, 2008. The partners of a LLP are not personally liable for the liabilities of the LLP.	<b>Private Limited Company is a separate legal entity</b> registered under the Companies Act, 2013. The Directors and Shareholders of a Private Limited Company are not personally liable for the liabilities of the Company.	<b>One Person Company is a separate legal entity</b> registered under the Companies Act, 2013. The Director and Nominee Director of a One Person Company are not personally liable for the liabilities of the Company
<b>Member (s) Liability</b>	<b>Proprietor has unlimited liability</b> and is responsible for all the liabilities of the Proprietorship.	<b>Partners have unlimited liability</b> and is responsible for all the liabilities of the Partnership.	<b>Partners have limited liability</b> and is liable only to the extent of their contribution to the LLP.	<b>Shareholders have limited liability</b> and is liable only to the extent of their share capital.	<b>Director and Nominee Director have limited liability</b> and is liable only to the extent of his/her share capital.



Steps	Proprietorship	Partnership	LLP	Private Limited Company	One Person Company
<b>Minimum Number of Members</b>	Have <b>only one</b> person as member.	A <b>minimum of two</b> persons are required to start a Partnership.	A <b>minimum of two</b> persons are required to start a LLP.	A <b>minimum of two</b> persons are required to start a Private Limited Company.	A <b>minimum of one</b> persons are required to start a One Person Company, viz. Director and Nominee Director.
<b>Maximum Number of Members</b>	Can have <b>only one</b> person as member.	Maximum number of partners can be only <b>100</b> .	Have <b>unlimited</b> number of Partners.	Maximum of <b>200</b> shareholders or members.	A One Person Company can have only <b>two people</b> , viz. Director and Nominee Director.
<b>Foreign Ownership</b>	Foreigners are <b>not allowed</b> to start a Proprietorship.	Foreigners are <b>not allowed</b> to start a Partnership.	Foreigners <b>are allowed</b> to invest in a LLP only with prior approval of RBI and Foreign Investment Promotion Board (FIPB) approval.	Foreigners <b>are allowed to invest</b> in a Private Limited Company under the Automatic Approval route in most sectors.	Director and Nominee Director <b>cannot be Foreigners</b> .

Steps	Proprietorship	Partnership	LLP	Private Limited Company	One Person Company
<b>Transferability</b>	<b>Not transferable</b>	<b>Not transferable.</b>	<b>Ownership can be transferred.</b>	<b>Ownership can be transferred</b> by way of share transfer.	<b>Ownership can be transferred</b>
<b>Existence or Survivability</b>	Existence of a Proprietorship business is dependent on the <b>Proprietor</b>	Existence of a Partnership business is dependent on the <b>Partners</b> . Could be up for dissolution due to death of a Partner.	Existence of a LLP is <b>not dependent on the Partners</b> . Could be dissolved only voluntarily or by an Order of the Company Law Board.	Existence of a Private Limited Company is <b>not dependent on the Directors or Shareholders</b> . Could be dissolved only voluntarily or by Regulatory Authorities	Existence of a One Person Company is <b>not dependent on the Director or Nominee Director</b> . Could be dissolved only voluntarily or by Regulatory Authorities.
<b>Minimum paid up capital required</b>	<b>No binding</b>	<b>No binding</b>	<b>No binding</b>	<b>1 LAKH</b>	<b>No binding</b>

Steps	Proprietorship	Partnership	LLP	Private Limited Company	One Person Company
<b>Annual Statutory Meetings</b>	<b>No requirements</b> to conduct annual statutory meetings	<b>No requirements</b> to conduct annual statutory meetings.	<b>No requirements</b> to conduct annual statutory meetings.	Board and General Meetings <b>must be conducted periodically.</b>	<b>No requirements</b> to conduct annual statutory meetings.
<b>Annual Filings</b>	<b>No requirements</b> to file annual report with Registrar of Companies. Income Tax Return must be filed based on the income of the Proprietorship.	<b>No requirements</b> to file annual report with Registrar of Companies. Income Tax Return must be filed for the Partnership.	<b>Must file Annual Statement of Accounts &amp; Solvency and Annual Return with the Registrar</b> each year. Income Tax Return must also be filed for the LLP.	<b>Must file Annual Accounts and Annual Return with the Registrar of Companies each year.</b> Income Tax Return must also be filed for the Private Limited Company.	<b>Must file Annual Accounts and Annual Return with the Registrar of Companies each year.</b> Income Tax Return must also be filed for the One Person Company.



# BANK ESSENTIALS

- **Proof of Identity** : Voter's ID Card / Passport / Driving License / PAN Card /AADHAR
- **Proof of residence**: Recent telephone bills, electricity bill, property tax receipt /Passport / voter's ID Card
- **Proof of business Address**: Lease /rent agreement /Land ownership /shop/office ownership agreement
- **Credit Score** : Applicant should not be defaulter in any Bank/F.I.
- **Credit Report** : Asset and liabilities of borrower and guarantor.
- **Financial Projections**:

# BANK ESSENTIALS

- **Memorandum and articles of association** of the Company / Partnership Deed of partners etc.
- **Assets and liabilities statement (Credit report of borrower and guarantor )** of promoters and guarantors along with latest income tax returns.
- **Aadhar Memorandum / MSME registration** if applicable.

# DOCUMENTS FOR PROPRIETORSHIP FIRM

- Passport size photograph
- Registration certificate in case of registered concern
- **License issued by the municipal corporation under shop and establishment act**
- Sales and income tax return
- Importer Exporter code
- Income tax return
- Utility bill such an electricity/water/landline      telephone bills
- **Pan In the name of Proprietor**



# DOCUMENTS FOR PARTNERSHIP FIRM

- Copy of registration certificate
- Copy of partnership deed
- Pan card in the name of partnership
- list of all partners
- partnership letter signed by all partner in their individual capacity.
- letter of authorization power of attorney signed by all partners who will operate the accounts

# DOCUMENT FOR LLP

- Certificate of incorporation
- Pan of LLP
- Registered office address proof
- Pan and address proof of all partners
- LLP agreement
- Board resolution

# DOCUMENTS FOR COMPANY

- Copy of certification of incorporation
- Copy of memorandum of Association (Registration, Objective, Scope, Power and area of operation)
- Copy of article of association (Rules and regulations for administration and managing of the company)
- Copy of certificate of commencement of business
- Pan card in the name of company
- A board resolution mentioning that board has decided to open account in the name of bank who will operate the account.
- List of board of director of the company



# DOCUMENTS FOR SELF HELP GROUP

- copy of minutes of the meeting
- list of member of group
- resolution to authorise who will operate the account
- KYC of all members of group



# SMALL ACCOUNT

- Self-attested photograph
- Aggregate of credit in the financial year cannot exceed 100000/-
- Aggregate transfer and withdrawal in a month cannot exceed 10000/-
- The balance of any point of time cannot exceed 50000/-



# **TYPES OF CREDITS**

- 1 Term loan
- 2 Working capital
- 3 Bank guarantee
- 4 Letter of credit
- 5 Pre shipment credit
- 6 Post shipment credit
- 7 Angel financing
- 8 Lease financing
- 9 Crowd funding
- 10 IPO



# **TYPES OF CREDITS**

## **1. Term Loan**

A term loan is a loan in which

- Duration is fixed
- Amount is fixed
- Repayment schedule is fixed
- Interest rate is predetermined/fixed

## **2. Working Capital**

Working capital denotes the amount of funds needed for meeting day to day expenses.

**3. Bank Guarantee:** A bank guarantee is a promise from a bank or other lending institutions that if a particular borrower defaults on a loan the bank will cover the loss. It may be performance based or financial.

**4. Letter of Credit:** A letter of credit represents an obligation taken by a bank to make payment once certain criteria are met after their terms are completed and confirmed, the bank will transfer the fund. The L.C. ensures the payment will be made as long as the services are performed.



**5. Crowd Funding :** Funds from multiple investors via web based platform or social networking site for definite objective. Small contribution no of person cumulatively may full fill the fund requirement of the investee who otherwise lacked access to such funds.

- It is unsecured loan
- Equity crowd funding is not allowed in India
- Only a credited investor can invest
- Retail investor can invest up to 20000-60000 only
- Max no of Retail investor 200
- Start up to less than 2 year old only eligible to participate.



**6. Angel Financing:** An Angel investor is typically an individual or a high worth individual investor who provides funding or financial support for start-up in lieu of stake in ownership in the company.

**7. Pre Shipment Credit**

**8. Post Shipment Credit**

**9. Lease Financing**



# PROCEDURE FOR AADHAR UDYAMITA

- Logon to the **Udyog Aadhar website**. or online registration, the applicant should visit the official website: [www.msme.gov.in](http://www.msme.gov.in)

1. Aadhar Card
2. Email ID
3. Pan Card
4. GST No.
5. Mobile No.

## HOW TO REGISTER FOR GST

Go to GST portal . <https://www.gst.gov.in/>

1. Pan Card/Aadhar Card
2. Address Proof of business entity
3. Bank Account
4. Digital Signature

## HOW TO REGISTER FOR NEW PAN

- Open the NSDL site <https://www.onlineservices.nsdl.com/paam/endUserRegisterContact.html> to apply for a new PAN.

1. Aadhar Card
2. Proof of Birth
3. Proof of Office Address
4. Registration of Business Entity

- **Credit Guarantee Scheme (CGTMSE)** is an important programme of the Government of India aimed at facilitating the flow of collateral free credit **up to Rs. 200 lakhs per borrower** from the Banks to Micro and Small Enterprises. Further as per the extant guidelines of RBI, Banks are mandated **not to accept collateral security in the case of loans upto Rs. 10 lakhs** extended to units in Micro and Small Enterprise.

- Credit facilities (Fund based and / or Non fund based) extended to a single eligible borrower in the **Micro and Small Enterprises sector for credit facility not exceeding Rs. 200 laks**, without any collateral security and/ or third party guarantee.
- Credit facilities extended to **MSE Retail Trade, not exceeding Rs. 100 Lakhs**, without any collateral security and/ or third party guarantee.



# **BREAK EVEN POINT**

- Expenses = Variable cost or Fixed cost or Both
- Profit = (Function of sale) – Variable cost + Fixed cost
- Profit(Sale) – Variable cost = Contribution
- Sale - Variable cost = Contribution
- Contribution – Fixed cost = Profit/Loss

# BREAK EVEN POINT

Quantity	1	2	3	10	66	67	68
<b>Sales</b>	250	500	750	2500	16500	16750	17000
<b>Variable cost</b>	100	200	300	1000	6600	6700	6800
<b>Contribution</b>	150	300	450	1500	9900	1050	10200
<b>Fixed Cost</b>	10000	10000	10000	10000	10000	10000	10000
<b>Profit/ Loss</b>	-9850	-9700	-9550	-8500	-100	+ 50	+ 200

# **BREAK EVEN POINT**

1. Break Even Point= Total Fixed cost/Contribution unit  
 $=10000/150 = 66.66$  (table)
1. B.E.P=Total fixed cost/(Sale/unit- Variable cost/unit) \* Q  
max (Plant capacity in terms of units of outputs)

Suppose it comes 40% means if we use 40% of capacity of plant that will be our B.E.P.



# BALANCE SHEET

## LIABILITY

- 
- 1.CAPITAL
- 2.LONG TERM LOAN
- 3.CURRENT LIABILITY  
(CREDITORS,BANK  
OVERDRAFT,INTEREST ON  
CASH CREDIT)

Liability is what the  
borrower/organisation owe's i.e.  
what it has borrowed

## ASSETS

- 1.FIXED ASSETS  
(LAND,BUILDING,MACHINERY)
- 1.CURRENT ASSET  
(BANK BALANCE,DEBTORS,  
INVENTORY)

Assets represents what is owned or  
the thing it has purchased by  
spending the money that it has  
borrowed as reflected in the liability  
sides

# **PROFIT AND LOSS ACCOUNT**

## **EXPENSES**

- 
- 1. RAW MATERIALS
- 2. WAGE/SALARY
- 3. SELLING EXPENSES
- 4. ADMIN EXPENSES
- 5. INTEREST
- 6. STATIONERY

## **INCOME**

- 1. SALES
- 2. OTHER INCOME

**(PROFIT=INCOME-EXPENSES)**



# GOLDEN RULE OF FINANCE MANAGEMENT

- Liability side has cost do not invest a single paisa on right hand side which is not earning means to create productive assets
- At least invest such a way that assets must be equal to or greater than cost of capital
- Assets must be invested in such a way that it brings money before Liability arises
- Do not invest more than optimum in fix assets and in inventory
- Do not keep cash ideal more than required



# NEED OF THE BUSINESS PLAN

- To summaries the financial objective
- To summaries e the operational objective
- It means of defining your goals and steps needed to reach them
- It helps to guide your decision
- It is Road map of success
- Provide future clarity on all aspect of your business
- It is used to attract investment capital



# NEED OF THE BUSINESS PLAN

- Assist in attracting strategic business partner
- To help you in identifying potential weakness
- To communicate your ideas with stake holders
- Effective means of defining your goals and step needed to reach them
- It spells out your purpose, vision and means of operations.
- It also serves as your company resume explaining your objective to investors, partners, employees and vendors.



# Executive Summary

- objectives of the business and the methods through which the business can attain success
- overall picture of the business with regard to capital, operations, methods of functioning and execution of the business
- the assumptions and the risks generally involved in the business.



# Organization Summary

- organization structure and pattern proposed for the unit
- the ownership is based on sole proprietorship, partnership or joint stock company.
- information about the bio data of the promoters including financial soundness



# Marketing Plan

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation
- Future prospects of the market,
- Sales objectives,
- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,
- It must indicate potential users of products and distribution channels to be used for distributing the product.



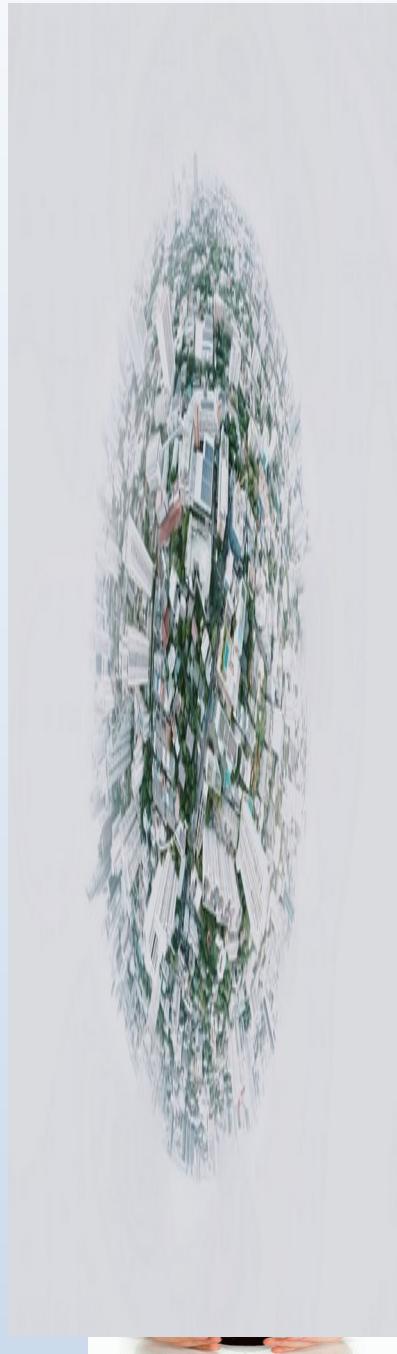
# CAPITAL STRUCTURE AND OPERATING COST

- the total capital requirements of the project.
- the source of finance,
- extent of owners funds and borrowed funds
- Working capital requirements
- the source of supply
- Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.
- Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing.



# MANAGEMENT PLAN

- Business experience of the promoters of the business,
- Details about the management team,
- Duties and responsibilities of team members,
- Current personnel needs of the organization,
- Methods of managing the business,
- Plans for hiring and training personnel,
- Programmes and policies of the management.



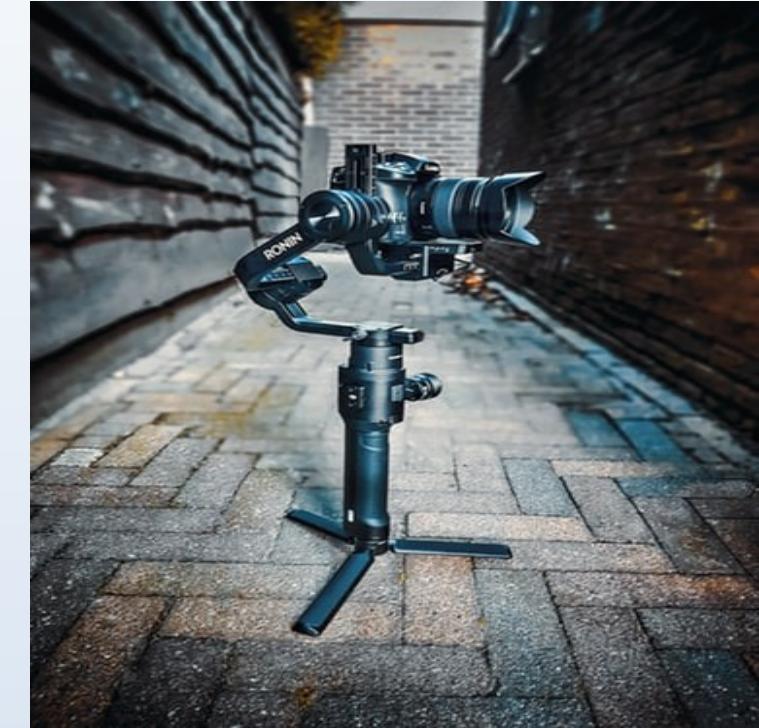
# FINANCIAL ASPECTS

- projected profit and loss account
- balance sheet
- the estimated sales revenue
- cost of production
- gross profit
- net profit
- a projected balance sheet,
- cash flow statement
- funds flow statement must be prepared every year and at least for a period of 3 to 5 years.



# TECHNICAL ASPECTS

- information about the technology
- technical aspects of a project.
- information on Technology selected for the project,
- Production process,
- capacity of machinery,
- pollution control plants etc.
- **Project Implementation**
- time table for the project.
- the time within the activities involved in establishing the enterprise can be completed.
- Implementation schemes show the timetable envisaged for project preparation and completion



# Environmental, Social & Distributive Aspects

The credit appraisal officer has to assess the environmental effect of project in the surrounding locality, which is socially acceptable and providing ample opportunity for employment. Therefore following points to be considered during appraisal:

## I. Environmentally acceptable

- a) Eco-Friendly
- b) Bio-degradable

## II. Socially acceptable

## III. Employment generation

## IV. Distribution of the income



## FINANCIAL ASPECTS OF THE PROJECT

### 1. FIXED CAPITAL

#### **Land & Buildings:**

### **2. Plant & Machineries:**

S. No.	Particulars	No.	Rate (Rs.)	Amount(Rs.)
1.				
2.				
3.				
4.				
5.				
6.				
	<b>TOTAL</b>			

### 3. OTHER FIXED ASSETS:

S. No.	Particulars	Amount (Rs.)
1.	Furniture for unit like racks, counter, chair, table, cash counter, shelf etc.	
2.	Other equipment's like fan, heater etc.	
	<b>TOTAL</b>	

### 4. PRELIMINARY & PRE-OPERATIVE

S. No.	Particulars	Amount (Rs.)
1.	Preparation of project report and market survey	
2.	Transportation & Conveyance	
3.	Misc. expenses	
	<b>TOTAL</b>	

### 5. TOTAL FIXED CAPITAL

S. No.	Particulars	Amount (Rs.)
1.	Land & building	
2.	Machineries & Equipments	
3.	Other fixed assets	
	Preliminary & Pre-operative expenses	
	<b>TOTAL</b>	

## 6. WORKING CAPITAL

### RAW MATERIAL (PER MONTH):

S.No.	Particulars	Qty. kg/ltr	Rate (Rs.)	Amount (Rs.)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
	<b>TOTAL</b>			



## 1 MANPOWER (PER MONTH):

S.No.	Particulars	No.	Salary	Amount (Rs.)
1.	Manager	1		
2.	Skill worker	2		
3.	Helper	2		
<b>TOTAL</b>				

## 2 UTILITIES (PER MONTH):

S.No.	Particulars	Oty.	Amount (Rs.)
1.	Electricity	-	
2.	Phone bill	-	
3.	Shop rent	-	
	<b>TOTAL</b>		



### 3. MISC. OR OTHER EXPENSES:

S.No.	Particulars	Amount (Rs.)
1.	Repair & Renewal	
2.	Transportation	
	<b>TOTAL</b>	

### 4. TOTAL WORKING CAPITAL

S.No.	Particulars	Amount (Rs.)
1.	Raw material	
2.	Manpower	
3.	Utilities	
4.	Misc. expenses	
	<b>TOTAL</b>	

$$\text{Total project cost} = \text{Total fixed} + \text{Total working capital}$$

## ANNUAL SALES REALISATION (for 1<sup>st</sup> year)

S. No.	Particulars	Qty.	Rate (Rs.)	Amount (Rs.)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
	<b>Total</b>			

## COST & PROFITABILITY

ITEM/YEAR	01	02	03	04	05
Capacity utilization					
Sales realization (A)					
Expenditure					
Raw material consumed (B.1 = RM X 12)					
Operating expenses (B.2=(Man power+ utilities+ other expenses) X 12)					
Cost of production (C =B.1 + B.2)					
Operating profit(D= A-C)					
Depreciation (E)					
Interest on TL (F)					
Interest on CC (WC X 13.20%)					
Tax provision					
Marketing expenses @ 5% on sales (H)					
Net profit (I= D-E-F-G-H)					
Cash inflow(J=I+E)					



# THANK YOU

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